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European Commission

Newsletter

Directorate-General for Agriculture and Rural Development

Banana tug-of-war: still no end in sight

The EU requests second WTO arbitration on its revised proposal for the banana import regime

After the European Commission presented a revised banana tariff proposal in September, the EU submitted a request for a second World Trade Organisation arbitration. The Commission has carefully revised the award from the first arbitration. It is confident that the revised proposal for an import duty of EUR 187/tonne for most-favoured nation (MFN) suppliers and a tariff quota of 775 000 tonnes at a zero duty for bananas originating in ACP countries maintains market access for MFN suppliers and an equivalent level of preference for ACP suppliers as the current regime. The intention to have a tariff-only system in place on 1 January 2006 remains.

‘The EU has carefully analysed the arbitration award, revised its proposal accordingly, and initiated consultations with our Latin American and ACP partners on this basis. Despite our efforts, we were not able to come to an agreement with our partners. Nor did they present an alternative proposal of their own. Time is now running out for the introduction of the tariff-only regime by the beginning of next year. This is why we are requesting a second round of arbitration today. I still hope we can find a solution to this long-running dispute which will be acceptable to everyone,’ said Mariann Fischer Boel, EU Commissioner for Agriculture and Rural Development.

In order to put an end to the long-standing banana dispute, the EU agreed with Ecuador and the United States in 2001 to move from a complex import system based on a combination of tariffs and quotas for bananas to a regime solely based on a tariff by 1 January 2006.

In accordance with these understandings, the EU proposed in January 2005 an import duty of EUR 230/tonne to replace the existing bound duty of EUR 680/tonne with a quota of

2 653 000 tonnes subject to an in-quota rate of EUR 75/tonne for MFNs (at a zero duty for ACPs).

The current arbitration was established after a request by Brazil, Colombia, Costa Rica, Ecuador and Guatemala, Honduras, Nicaragua and Panama, and Venezuela. The arbitration award issued on 1 August 2005 found that the proposed tariff of EUR 230/tonne would not result in at least maintaining current market access for MFN banana suppliers.

This September, the EU presented a revised proposal in the light of the arbitrator’s award for an import duty of EUR 187/tonne for MFN suppliers and a tariff quota of 775 000 tonnes at zero duty for bananas originating in ACP countries. The revised proposal at least maintains current market access for MFN suppliers and an equivalent level of preference for ACP bananas.

After consultations the Commission held with the interested parties and with the interested ACP countries, the same arbitrator will now be asked to determine, within 30 days of the new arbitration request that was submitted on 26 September, whether the EU has rectified the matter. The arbitration procedure must be completed in time to allow for the necessary internal procedures for the entry into force of the new regime on 1 January 2006.

Quota	Volumes (tonnes)	Applied tariff (EUR/t)	ACP tariff (EUR/t)
General quota	2 653 000	75	0
ACP-only	775 000	–	0
For new Member States for 2005	460 000	75	0

Mariann Fischer Boel’s first Washington mission

Mariann Fischer Boel’s first official trip to the United States/Washington marked a step forward in the negotiations on the Doha Development Agenda. Groundwork for intensified contacts during the following months was laid and the outcome in Hong Kong seems brighter.

With the crucial World Trade Organisation ministerial meeting in Hong Kong now just weeks away, Commissioner

Fischer Boel travelled to Washington in mid-September for an intense programme of meetings with the US administration and members of Congress.

Her programme began just hours after landing in the US capital with a meeting with Commissioner Mandelson, US Trade Representative Rob Portman and US Agriculture Secretary Mike Johanns.

Following months of 'shadow boxing' between the main protagonists, the trip to Washington marked a genuine step forward in the negotiations on the Doha Development Agenda. The talks were very open and allowed both sides to state clearly how much room for manoeuvre there was. The Commissioner also met Ambassador Portman once again later in the week and had the opportunity to speak at length with his predecessor and current Deputy Secretary of State Bob Zoellick as well as the President of the highly influential American Farm Bureau lobby group, Bob Stallman.

As the visit progressed with a further number of important visits it became increasingly clear that there remains a great deal of work to be done to inform US policy-makers about the wide-ranging reforms that have been carried out to the common agricultural policy over the past decade and a half.

With that in mind, the Commissioner had the opportunity to give three speeches to large and appreciative audiences of policy-makers and lobbyists, largely designed to explain how the CAP has been changing over the past 15 years. She particularly underlined the reforms of 2003 and 2004, and did much to put an end to the common and very misleading caricature of the CAP.

The very clear message the Commissioner received throughout her stay — both from the administration and from Capitol Hill — was that the USA is most interested in the WTO negotiations giving US farmers improved access to European markets.

Mrs Fischer Boel insisted that the EU is of course ready to commit to real and meaningful tariff reductions, but that the USA had to show a similar willingness to reform its domestic subsidy system. While EU farm payments have become progressively more trade-friendly, US subsidies have in recent years moved in the opposite direction.

For the EU, it is particularly important that the USA does not simply shift its so-called counter-cyclical payments into the new Blue Box and thereby avoid any meaningful reductions in trade-distorting support.

She told her interlocutors that the review of the Farm Bill in 2007 provides a perfect occasion for meaningful reform for the USA. While the EU has pledged to phase out export refunds, the Commissioner underlined the need for parallel commitments from our trading partners.

Stressing that the EU fully supports the provision of genuine food aid to help with emergency situations, she insisted that Washington should impose disciplines on its food aid system to prevent food shipments being used as a way to dispose of surplus domestic production.

Likewise, Mariann Fischer Boel repeated the need for tighter disciplines on US export credit programmes.

After three and a half days of intensive work, Mrs Fischer Boel met the US media, and told them she felt much more optimistic about a successful outcome in Hong Kong than she had before her visit.

News in brief

EU-US wine deal

The EU-US wine trade accord will enhance the protection of European names and safeguard the EU's biggest market.

The European Union and the United States have reached a first-phase agreement on trade in wine which will protect EU wine names and secure the EU's biggest and most valuable wine market, importing EU wine worth about EUR 2 billion in 2004. Under the accord, the US administration will make a proposal to Congress to change the status of EU wine names such as Burgundy, Champagne, Chablis, Chianti, Madeira, Malaga, Port, Sherry and Tokay, currently considered semi-generic terms in the USA, and limit their use in the USA in the future. The USA

will also exempt the EU from its new certification requirements, accept the main principles of EU labelling rules, and pledge to seek to resolve any bilateral issues concerning trade in wine through informal bilateral consultations rather than through dispute settlement mechanisms. The two sides have also undertaken to build on the agreement by starting to negotiate a more ambitious second-phase accord within 90 days after the entry into force of this agreement.

Publications

The *Common agricultural policy explained* brochure will now be available in 22 languages, including Bulgarian and Romanian. Copies are available from the EU Bookshop (<http://bookshop.eu.int>). To view the brochure on the web, please visit: http://europa.eu.int/comm/agriculture/publi/capexplained/cap_en.pdf

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